



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 23

Agenda Date: June 16, 2022

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Issuance, Sale, and Delivery of City of San Antonio, Texas Public Facility Corporation Refunding and Improvement Lease Revenue Bonds, Series 2022, in one or two Series, (the “2022 PFC Bonds”).

SUMMARY:

This Resolution authorizes the issuance, sale and delivery of up to \$620,000,000.00 in principal amount of City of San Antonio, Texas Public Facilities Corporation Lease Revenue Refunding and Improvement Bonds, Series 2022, in one or two Series, (Convention Center Facilities Project) (the “2022 PFC Bonds”) for the purpose of refunding all of the Corporation’s Improvement and Refunding Lease Revenue Bonds, Series 2012 (Convention Center Refinancing and Expansion Project) and financing improvements to a portion of the City’s Convention Center Facilities; approves the form and distribution of a preliminary official statement and a final official statement relating to the 2022 PFC Bonds; delegates authority to a pricing committee to approve all final terms of the 2022 PFC Bonds; authorizes the approval and execution of a Trust Agreement, a Lease Agreement, an Escrow Agreement, and a Purchase Contract in connection therewith; calls for the refunded bonds for redemption; and authorizing all other necessary documents and actions related thereto.

BACKGROUND INFORMATION:

The City of San Antonio, Texas Public Facility Corporation Refunding Lease Revenue Bonds, Series 2022, in one or two Series, (the “2022 PFC Bonds”) are being issued in an amount up to \$620,000,000 to accomplish the refunding of the Public Facilities Corporation’s Improvement and Refunding Lease Revenue Bonds, Series 2012 (Convention Center Refinancing and Expansion Project) (the “2012 PFC Bonds”) in the approximate amount of \$535,343,000.00 and finance certain capital improvements for a total amount of \$55,000,000.00 for the Convention Center Facilities.

On June 14, 2012, City Council approved a Resolution authorizing the creation of the City of San Antonio, Texas Public Facilities Corporation (the “Corporation”) pursuant to Chapter 303 of the Local Government Code, to act on behalf of the City. The Corporation was created to effectuate the issuance of the 2012 PFC Bonds. The Board of Directors of the Corporation is comprised of the Mayor and City Council. The Corporation entered into an appropriation Lease Agreement with the City where the City Council is required to make annual appropriations equal to the lease payments to pay for debt service and operating costs of the facility. The City continues to be responsible for all maintenance and operations of the Convention Center without having to go through the Corporation for approvals, oversight, etc. and no mortgage was granted to secure the 2012 PFC Bonds.

The City pledged any lawfully available revenues of the City to fund the annually appropriated lease payments to the Corporation which were used to pay debt service on the 2012 PFC Bonds and utilized HOT revenues to fund the annually appropriated lease payments to the Corporation. The proposed issuance of the 2022 PFC Bonds will follow this same funding mechanism which capitalizes on the City’s strong bond ratings allowing for a lower overall cost of borrowing and gives the City greater flexibility to manage the debt under changing economic conditions.

This Resolution authorizes the issuance of the 2022 PFC Bonds in an amount up to \$620,000,000.00. The differential is attributable to potential savings from the refunding and market conditions at the time of the sale. Parameter sale authorization for the sale of the 2022 PFC Bonds will give the City Manager and Chief Financial Officer the flexibility to establish the pricing terms on the bonds with approval from a pricing committee made up of certain members of the Board of Directors of the Corporation and the authority to sign the applicable Purchase Contract upon completion of the sale of such bonds.

The potential refunding of the currently outstanding 2012 PFC Bonds would be done for interest cost savings and is dependent upon financial market conditions. However, the City would not proceed with a refunding of these bonds unless financial market conditions are favorable to generating a prudent level of interest cost savings and in that instance, would only proceed with the issuance of new money bonds to provide funding for capital projects at the Convention Center. Additionally, if all outstanding 2012 PFC Bonds are refunded, the 2022 PFC Bonds would include the Alamodome as an eligible facility. This would provide another future bond financing method for funding capital improvements at the Alamodome.

It is anticipated that the Bonds will be sold by an underwriting syndicate led by Piper Sandler &

Co. as Senior Book Running Manager; Citigroup Global Markets, Inc. as Co-Senior-Manager; and SAMCO Capital Markets, Inc.; Drexel Hamilton, LLC; Samuel A. Ramirez & Co., Inc.; Morgan Stanley & Co., Inc.; Stifel, Nicolaus & Company Incorporated; and RBC Capital Markets as Co-Manager.

ISSUE:

The 2022 PFC Bonds are being issued to refund the 2012 PFC Bonds and finance certain capital improvements for the Convention Center. These improvements include escalator/elevator replacement; mechanical, electrical, plumbing upgrades; Lila Cockrell Theatre upgrades; encased space for the west building; and various other capital improvements.

ALTERNATIVES:

The City could choose not to refund the 2012 PFC Bonds and forego the interest cost savings of refunding the obligations at a lower rate and could choose not to move forward with the proposed capital improvements to the Convention Center Facilities.

FISCAL IMPACT:

Any costs pertaining to the proposed transactions will be paid for from the proceeds derived from the issuance and sale of such obligations. Debt service for the 2022 PFC Bonds are expected to continue being paid from the Hotel Occupancy Tax Funds.

RECOMMENDATION:

Staff recommends approval of this Resolution authorizing the issuance, sale, and delivery of the Bonds.